

Message Text

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EUR/EE - JABAKER

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FM SECSTATE WASHDC

TO AMEMBASSY PRAGUE IMMEDIATE

C O N F I D E N T I A L STATE 171147

E.O. 11652:N/A

TAGS: PFOR, CZ

SUBJECT: CLAIMS NEGOTIATIONS

1. CURRENT PLANNING FOR CLAIMS NEGOTIATIONS CALLS FOR CHARGE WORTZEL TO BE DESIGNATED AS HEAD OF US DELEGATION WITH MAJOR NEGOTIATING BURDEN BEING ASSUMED BY ASSISTANT LEGAL ADVISER FABIAN KWIA TEK, WHO PLANS ARRIVE SEPTEMBER 8. WE EXPECT US DELEGATION WILL ALSO INCLUDE AN EMBASSY OFFICER FAMILIAR WITH THE RELEVANT ISSUES AND PREPARED TO ACT AS ASSISTANT TO KWIA TEK.

2. IN ANTICIPATION OF OPENING OF CLAIMS DISCUSSIONS, CZECH AMBASSADOR SPACIL CALLED AUG. 24 ON DEPUTY ASSISTANT SECRETARY ARMITAGE (SEE SEPTEL). DEPARTMENT SHARES CZECHOSLOVAK VIEW THAT BROAD-GUAGE APPROACH SHOULD BE TAKEN IN RESUMING NEGOTIATIONS AND THAT WE SHOULD NOT BECOME MIRED IN DETAIL. WITHOUT THIS EMPHASIS WE ARE CONCERNED LEST NEGOTIATIONS BREAK DOWN AT EARLY STAGE BECAUSE OF DISAGREEMENT OVER AMOUNT TO BE CREDITED FOR
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VESTED STEEL MILL. DEPARTMENT'S TENTATIVE THINKING IS TO

START NEGOTIATIONS WITH STATEMENT OF MUTUAL ADVANTAGE TO BE GAINED WITH AGREEMENT RATHER THAN WITH DISCUSSION OF FIGURES OR PERCENTAGES. WE ARE UNDER MANDATE TO OPEN WITH REQUEST FOR \$26 MILLION CLAIMS SETTLEMENT AND TO INSURE THAT IF AGREEMENT IS CONCLUDED, IT MUST BE AT LEAST COMPARIBLE TO OUR AGREEMENTS WITH OTHER EE COUNTRIES. EMBASSY'S VIEWS AND SUGGESTIONS ON THIS APPROACH REQUESTED

ASAP.

3. WE REQUEST EMBASSY VIEWS REGARDING DESIRABILITY OF FURNISHING APPROPRIATE GOC OFFICIAL (ZANTOVSKY) WITH OUR SUGGESTED AGENDA PRIOR TO OPENING OF NEGOTIATIONS. THIS AGENDA WOULD INCLUDE FOLLOWING ISSUES: A) CLAIMS OF US CITIZENS, B) CZECH GOLD, C) DEFAULTED SURPLUS PROPERTY PAYMENTS D) US BLOCKED ACCOUNTS IN CZECHOSLOVAKIA AND CZECHOSLOVAK BLOCKED ACCOUNTS IN US AND E) DOLLAR BOND OBLIGATIONS. (ON THIS LAST POINT, OBJECTIVE IS TO GAIN CZECHOSLOVAK COMMITMENT TO NEGOTIATE THIS ISSUE WITH FOREIGN BONDHOLDERS PROTECTIVE COUNCIL, AND TO HAVE THEM RECOGNIZE THAT SETTLEMENT OF OUTSTANDING BONDS IS NEEDED PRIOR TO NORMALIZATION OF TRADE AND FINANCIAL RELATIONS.)

4. GIVEN THE COMPLEX ISSUES INVOLVED (E.G., VESTED STEEL MILL, NUMBER OF YEARS FOR PAYMENT OF CLAIMS SETTLEMENT, ETC.) WE DO NOT PLAN TO GIVE CZECHS DRAFT OF CLAIMS AGREEMENT PRIOR TO OPENING OF NEGOTIATIONS. RUSH

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